

**NINETEENTH JUDICIAL DISTRICT COURT  
BUILDING COMMISSION**

**BATON ROUGE, LOUISIANA**

**JUNE 30, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate, at the office of the parish clerk of court.

Release Date **FEB 15 2012**

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## INDEPENDENT AUDITOR'S REPORT


To the Commissioners of the  
Nineteenth Judicial District Court Building Commission

We have audited the accompanying financial statements of the governmental activities and major funds of the Nineteenth Judicial District Court Building Commission, a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, as of and for the year ended June 30, 2011, which collectively comprise the Building Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Building Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities and major funds of the Nineteenth Judicial District Court Building Commission, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011, on our consideration of the Nineteenth Judicial District Court Building Commission's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements; and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

  
December 28, 2011

## **REQUIRED SUPPLEMENTARY INFORMATION**



## **NINETEENTH JUDICIAL DISTRICT**

EAST BATON ROUGE PARISH  
BATON ROUGE, LOUISIANA

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JUDICIAL ADMINISTRATOR

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Nineteenth Judicial District Court – Building Commission (the Commission) provides an overview of the Commission's activities for the year ended June 30, 2011. Please read it in conjunction with the Commission's financial statements that begin on page 8.

### **FINANCIAL HIGHLIGHTS**

- Filing fees decreased approximately \$277,000 or 4% percent in 2011 compared to 2010. These are largely civil filing fees and recordation fees with the decrease attributable to a slowing economy and other current economic conditions.
- For 2011, bond holder interest and principal payments were approximately \$5.2M and \$1.33M respectively. 2012 interest and principal payments will remain largely unchanged from 2011.
- Construction of the new Courthouse was substantially complete on November 1, 2010, and Court operations were relocated and official court activities began in the new facilities at that time.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9-10) provide information about the activities of the Commission as a whole and present a longer-term view of the Commission's finances. Fund financial statements (on pages 11 – 15) tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's governmental funds.

## Reporting the Commission as a Whole

Our analysis of the Commission as a whole begins on page 9. The key question regarding Commission's finances, "Is the Commission as a whole better or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Commission as a whole, and about its activities, in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Commission's net assets and changes in them. You can think of the Commission's net assets—the difference between assets and liabilities—as one way to measure the Commission's financial health, or financial position. Over time, increases or decreases in the Commission's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as number of cases handled by District Court as well as the number of judgeships approved by the State Legislature, the real estate market and its related recordation fees with the Clerk's Office and the State's economic condition to better assess the overall health of the Commission.

Currently, the Commission has only governmental activities that provide for equipment, furnishings, office space and debt service related to the proper administration of District Court. Primarily, civil filing fees and recordation fees are used to finance these activities.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 30, 2011, the Commission had \$126,000,000 invested in capital assets including the courthouse building and computer equipment. (See Table 1 below.)

**Table 1**  
**Capital Assets at Year-end**

	<u>2011</u>	<u>2010</u>
Buildings & Improvements	\$ 122,036,944	\$ -
Office Equipment	280,801	-
Computer Equipment and software	2,921,756	-
Furniture and Fixtures	822,351	-
Kitchen Equipment	101,805	-
	<u>\$ 126,163,657</u>	<u>\$ -</u>

## **Debt**

At year-end, the Commission had \$96,200,000 in outstanding bond principal due to its debt holders.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Commission anticipates a stabilized revenue collection of approximately \$6.8M for 2012

## **CONTACTING THE FUND'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Judicial Administrator's Office at 300 North Blvd., Suite 3606, Baton Rouge, Louisiana.



Derek Ransome  
Director of Finance

## **BASIC FINANCIAL STATEMENTS**



**NINETEENTH JUDICIAL DISTRICT COURT -  
BUILDING COMMISSION  
STATEMENT OF NET ASSETS**  
*June 30, 2011*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Accounts receivable (net)	\$ 105,000
Receivable from other governments	448,680
Accrued interest receivable	15,610
Restricted assets	
Cash and cash equivalents	13,375,669
Investments	3,276,305
Bond issuance costs	<u>290,236</u>
Total current assets	17,511,500
Noncurrent assets:	
Capital assets, net of depreciation	<u>126,163,657</u>
Total assets	<u>143,675,157</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	442,698
Accounts payable - 19th JEF	25,381
Interest payable to bondholders	<u>434,989</u>
Total current liabilities	903,068
Noncurrent liabilities:	
Bonds payable	96,200,000
Deferred premium on debt	<u>2,470,970</u>
Total liabilities	<u>99,574,038</u>
<b>NET ASSETS</b>	
Invested in capital assets	27,782,923
Restricted	<u>16,318,196</u>
Total net assets	<u>\$ 44,101,119</u>

*See accompanying notes to the basic financial statements*

**NINETEENTH JUDICIAL DISTRICT COURT -  
BUILDING COMMISSION  
STATEMENT OF ACTIVITIES**  
*Year ended June 30, 2011*

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net Revenue (Expense)</u>
Judicial court services	\$ 9,121,947	\$ 6,776,465	\$ (2,345,482)
General revenues.			
Interest			<u>197,130</u>
Total general revenues			<u>197,130</u>
Change in net assets			(2,148,352)
Net asset - beginning of year			<u>46,249,471</u>
Net asset - end of year			<u>\$ 44,101,119</u>

*See accompanying notes to the basic financial statements.*

**NINETEENTH JUDICIAL DISTRICT COURT BUILDING COMMISSION**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**

*June 30, 2011*

	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	105,000	-	105,000
Receivable from other governments	-	448,680	448,680
Accrued interest receivable	8	15,602	15,610
Restricted assets	-	-	-
Cash and cash equivalents	1,190,239	12,185,430	13,375,669
Investments	-	3,276,305	3,276,305
<b>Total assets</b>	<b>\$ 1,295,247</b>	<b>\$ 15,926,017</b>	<b>\$ 17,221,264</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 442,698	\$ -	\$ 442,698
Accounts payable - 19th JEF	25,381	-	25,381
<b>Total liabilities</b>	<b>468,079</b>	<b>-</b>	<b>468,079</b>
<b>FUND BALANCES</b>			
Restricted			
Continuing projects	827,168	-	827,168
Debt service	-	15,926,017	15,926,017
<b>Total fund balances</b>	<b>827,168</b>	<b>15,926,017</b>	<b>16,753,185</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,295,247</b>	<b>\$ 15,926,017</b>	<b>\$ 17,221,264</b>

*See accompanying notes to the financial statements*

**NINETEENTH JUDICIAL DISTRICT COURT - BUILDING COMMISSION**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE**  
**TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

*June 30, 2011*

Total governmental fund balances	\$ 16,753,185
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Amounts reported for governmental activities in the  
Statement of Net Assets are different because

Capital assets used in governmental activities are not

financial resources and therefore are not reported in the funds

Government capital assets	129,575,371	
Less accumulated depreciation	<u>(3,411,714)</u>	126,163,657

Assets used in governmental activities that are not financial resources

and, therefore, are not reported in the government funds

Deferred bond issuance costs	290,236
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Long-term liabilities, including bonds payable, are not due and payable

in the current period and, therefore, are not reported in the government

funds

Accrued interest payable	(434,989)	
Bonds payable	(96,200,000)	
Net deferred amount of premium	<u>(2,470,970)</u>	<u>(99,105,959)</u>

Net assets of governmental activities	\$ <u>44,101,119</u>
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*See accompanying notes to the basic financial statements*

**NINETEENTH JUDICIAL DISTRICT COURT BUILDING COMMISSION**  
**STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

*Year ended June 30, 2011*

	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>			
Charges for services			
Civil court filing fees	\$ 1,608,995	\$ 3,022,980	\$ 4,631,975
Recording fees	729,960	1,414,530	2,144,490
Investment earnings	4,187	192,943	197,130
Total revenues	<u>2,343,142</u>	<u>4,630,453</u>	<u>6,973,595</u>
<b>EXPENDITURES</b>			
Capital outlay	15,467,748	-	15,467,748
Bondholder interest	-	5,219,862	5,219,862
Bond principal repayment	-	1,330,000	1,330,000
Total expenditures	<u>15,467,748</u>	<u>6,549,862</u>	<u>22,017,610</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	7,120,361	7,120,361
Transfers out	<u>(7,120,361)</u>	<u>-</u>	<u>(7,120,361)</u>
	<u>(7,120,361)</u>	<u>7,120,361</u>	<u>-</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPEN- DITURES AND OTHER USES</b>	(20,244,967)	5,200,952	(15,044,015)
Fund balances - beginning of period	<u>21,072,135</u>	<u>10,725,065</u>	<u>31,797,200</u>
Fund balances - end of period	<u>\$ 827,168</u>	<u>\$ 15,926,017</u>	<u>\$ 16,753,185</u>

*See accompanying notes to the basic financial statements*

# **NINETEENTH JUDICIAL DISTRICT COURT - BUILDING COMMISSION**

## **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

*Year ended June 30, 2011*

Net change in fund balances - total governmental funds \$ (15,044,015)

Amounts reported for governmental activities in the  
statement of activities are different because

Government funds report capital outlays as expenditures. However, in  
the statement of activities the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense

Capital outlay	13,164,529	
Depreciation expense	(3,411,714)	
Capitalized interest	<u>2,174,943</u>	11,927,758

The issuance of long-term debt provides current financial resources  
to governmental funds, while the repayment of the principal of long-term  
debt consumes the current financial resources of government funds.  
Neither transaction, however, has any effect on net assets. Also,  
governmental funds report the effect of issuance costs, premiums,  
discounts, and similar items when debt is issued, whereas these  
amounts are deferred and amortized in the statement of activities

Premium on debt issuance	82,595	
Amortization of bond issuance costs	(9,701)	
Principal payments	<u>1,330,000</u>	1,402,894

Some expenses reported in the statement of activities do not require  
the use of current financial resources and, therefore, are not reported  
as expenditures in government funds

Accrued interest payable	<u>(434,989)</u>
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Change in net assets of governmental activities \$ (2,148,352)

*See accompanying notes to the basic financial statements*

**NINETEENTH JUDICIAL DISTRICT COURT BUILDING COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2011*

**A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Building Commission (the "Commission") complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in the subsequent sections of this note.

*Financial reporting entity*

The Nineteenth Judicial District Court Building Commission was created pursuant to Section 992.1 of Title 13 of the Louisiana Revised Statutes of 1950, as amended (the "Commission Act"). The Commission was created solely for the purpose of constructing and funding a new courthouse for use by the Nineteenth Judicial District Court (the "Court") and such other ancillary agencies as may be necessary. The judges of the Court, *en banc*, serve as the board of commissioners (the "Commission Board"). The Commission Board elects a chairman and vice chairman, and the judicial administrator for the Court serves as secretary-treasurer of the Commission.

As the governing authority of the consolidated government, the City of Baton Rouge, Parish of East Baton Rouge (City-Parish) is the financial reporting entity for the consolidated government. The financial reporting entity consists of the primary government (City-Parish), and includes all component units of which the City-Parish appoints a voting majority of the units' board, the City-Parish is either able to impose its will on the unit or a financial benefit or burden relationship exists.

The Commission has entered into a cooperative endeavor agreement with the City-Parish the terms of which are more fully described in Note F. The agreement grants certain rights to and imposes certain obligations upon the respective parties and because of their significance, the Building Commission was determined to be a component unit of the City of Baton Rouge, Parish of East Baton Rouge, the financial reporting entity. The accompanying financial statements present information only on the Building Commission and do not present any other information on the District Court, or the City-Parish, the general government services provided by that governmental unit, or on the other governmental units that comprise the financial reporting entity.

*Basis of presentation*

**Governmental-wide financial statements** – The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues and fees.

## **A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fund financial statements* – The financial transactions of the Building Commission are reported in two individual funds that are each accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

The Building Commission uses the governmental fund type. The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The funds of the Building Commission are described as follows.

*Capital project fund* - The capital project fund accounts for the financial resources to be used for the construction and funding of the new courthouse for the Nineteenth Judicial District Court.

*Debt service fund* – The debt service fund accounts for the resources accumulated and payments made for principal and interest on the Louisiana Public Facilities Authority Revenue Bonds Series 2007 for the Nineteenth Judicial District Court Building Project.

### ***Measurement focus and basis of accounting***

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

*Measurement focus* – The government-wide financial statements are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, and financial position. All assets and liabilities (whether current or non-current) associated with their activities are reported. All governmental funds utilize a current financial resources measurement focus in the fund financial statements. Only current financial assets and liabilities are generally included on the balance sheet. Operating statements present sources and uses of available spendable financial resources during a given period. The fund balance is the measure of available spendable financial resources at the end of the period.

*Basis of accounting* – The government-wide financial statements are presented using the accrual basis accounting. Revenues are recognized when earned and expenses are recognized when incurred or economic assets are used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Revenues are recognized when “measurable and available.” Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.



## **A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### *Financial statement amounts*

*Cash and cash equivalents* – Cash and cash equivalents are demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

*Investments* – Investments are limited by Louisiana Revised Statute (R. S.) 33.2955 to direct U.S. Treasury obligations; certain bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by federal agencies; direct security repurchase agreements; time certificates of deposit of any Louisiana bank; mutual or trust fund institutions which have underlying investments consisting solely of securities of the U.S. government or its agencies, and guaranteed investment contracts.

*Restricted cash and investments* – Certain proceeds of the Commission's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted cash and investments on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "courthouse construction receipts fund" accounts for the collection of additional costs of court and service charges imposed to finance the construction of the new courthouse. The "debt service reserve fund" is required to be maintained in an amount necessary to pay the annual principal and interest on the bonds. The "capitalized interest fund" will be used to pay interest due on the bonds for approximately twelve months.

*Receivables* – In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for governmental activities include amounts due from the Clerk of Court.

Receivables are included in the fund financial statements if they are both measurable and available. Revenues are recorded when earned, fund only if paid within 60 days since they would be considered measurable and available.

*Revenues* – Substantially all government fund revenues are accrued. Revenues include civil filing and recording fees imposed to finance the construction of the new courthouse as well as investment earnings.

*Capital Assets* – In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Depreciation on all assets is computed on the straight-line basis over the following estimated useful lives.

Buildings & improvements	30 - 34 Years
Office equipment	5 Years
Computer equipment & software	5 Years
Furniture and fixtures	5 Years
Kitchen equipment	5 Years

**A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the fund upon acquisition.

*Expenditures* – Expenditures are recognized when the related fund liability is incurred

*Interfund transfers* – Permanent allocations of resources between funds of the reporting entity are classified as interfund transfers

*Accounting estimates* – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

*Fund balances* – The governmental funds are classified as restricted fund. The restricted fund is a fund that can be spent only for specific purpose because of constraints that are externally imposed by bond creditors.

**B: CASH AND CASH EQUIVALENTS**

At June 30, 2011, the Building Commission Fund had cash (book balances) as follows:

Interest bearing demand deposits	\$ 4,031,240
Money market accounts	<u>9,344,429</u>
	<u>\$ 13,375,669</u>

These amounts are reflected in the following line descriptions on the balance sheet.

Cash and cash equivalents	\$ -
Restricted assets cash	<u>13,375,669</u>
	<u>\$ 13,375,669</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39.1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

**B: CASH AND CASH EQUIVALENTS (Continued)**

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$13,125,669 of the Commission's bank balance of \$13,375,669 was exposed to custodial credit risk as follows.

Uninsured and collateral held by fiscal agent bank's trust  
department not in the Building Commission Fund's name      \$ 13,125,669

**C: INVESTMENTS**

Investments are categorized into these three categories of credit risk:

- 1 Insured or registered securities held by the Commission or its agent in the Commission's name
- 2 Uninsured and unregistered securities held by the counterparty's trust department or agent in the Commission's name
3. Uninsured and unregistered securities held by the counterparty, or by its trust department or agent but not in the Commission's name.

At June 30, 2011, the Commission's investment balances were as follows

Type of Investment	Category	Carrying Amount			Total
		Fair Value	Amortized Cost	Cost	Carrying Amount
<u>Guaranteed Investment Contracts</u>					
Trinity Funding Group					
5.690%, due 01/31/40	\$ 3,276,305	\$ 3,276,305	\$ 3,276,305	\$ 3,276,305	\$ 3,276,305

**D: INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables due at June 30, 2011, are as follows.

Debt service fund  
East Baton Rouge Clerk of Court      \$ 448,680

## E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, is as follows

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Buildings & improvements	\$ -	\$ 124,756,429	\$ -	\$ 124,756,429
Office equipment	-	324,001	-	324,001
Computer equipment & software	-	3,442,542	-	3,442,542
Furniture and fixtures	-	948,868	-	948,868
Kitchen equipment	-	103,531	-	103,531
Totals at historical cost	-	129,575,371	-	129,575,371
Less accumulated depreciation				
Buildings & improvements	-	2,719,486	-	2,719,486
Office equipment	-	43,200	-	43,200
Computer equipment & software	-	520,787	-	520,787
Furniture and fixtures	-	126,516	-	126,516
Kitchen equipment	-	1,725	-	1,725
Totals at historical cost	-	3,411,714	-	3,411,714
Capital assets, net	\$ -	\$ 126,163,657	\$ -	\$ 126,163,657

## F: LONG-TERM DEBT

Under an Indenture of Trust dated June 1, 2007, the Louisiana Public Facilities Authority (the "Authority") has issued \$100,000,000 in bonds to finance the planning, design, construction, furnishing and equipping of new courthouse facilities (the "Facility") for the Nineteenth Judicial District

The proceeds of the bonds have been provided to the Commission under the terms of the Financing and Lease Agreement with Option to Purchase dated as of June 1, 2007, (the "Agreement"), by and between the Authority and the Commission. The City-Parish will lease to the Commission a portion of its land located in downtown Baton Rouge, Louisiana (the "Land"), pursuant to a Ground Lease Agreement dated as of June 1, 2007, (the "Ground Lease"), on which the Facility will be constructed. Pursuant to the Sublease Agreement dated as of June 1, 2007, (the "Sublease"), the Commission will lease the Land to the Authority and, pursuant to the Agreement, the Authority will cause the Commission to construct on the Land the Facility, which will be owned by the Authority and leased to the Commission. Pursuant to the Cooperative Endeavor Agreement dated as of December 1, 2005, and effective as of February 1, 2006, (as amended, the "Cooperative Endeavor Agreement") by and between the Commission, the City-Parish and the Authority, the City-Parish has agreed to lease the Land to the Commission and, upon completion of construction of the Facility, operate and maintain the Facility.

## F: LONG-TERM DEBT (Continued)

The following is a summary of the long-term debt transactions during the year ended June 30, 2011

	Balance 7/1/2010	Additions	Payments	Balance 6/30/2011
<u>Revenue Bonds</u>				
Series 2007 Louisiana Public Facilities			-	
Authority Revenue Bonds	\$ 97,530,000	\$ -	\$ 1,330,000	\$ 96,200,000

The Series 2007 Louisiana Public Facilities Authority Revenue Bonds (Nineteenth Judicial District Court Building Project) dated June 1, 2007, were issued on June 27, 2007, in the amount of \$100,000,000. The bonds are payable over 34 years and bear interest from 4.75% to 5.50% as shown in the following schedule:

Year (June 1)	Principal Amount	Interest Rate	Year (June 1)	Principal Amount	Interest Rate
<u>Serial Bonds</u>					
2012	\$ 1,395,000	5.0000 %	2018	1,870,000	5.3750 %
2013	1,465,000	5.0000	2019	1,970,000	5.3750
2014	1,540,000	5.0000	2020	2,080,000	5.3750
2015	1,615,000	5.0000	2021	2,190,000	4.5000
2016	1,695,000	5.0000	2028	3,130,000	4.7500
2017	1,780,000	5.0000			
<u>Term Bonds</u>					
2027	\$ 15,710,000	5.3750 %			
2032	14,220,000	5.3750			
2041	45,540,000	5.5000			

Under the indenture, the Commission is required to maintain certain reserves for the routine payment of interest and principal and for certain other contingencies outlined in the agreement. Additional information regarding the reserves is detailed below. The Commission is in compliance with all terms of the bond agreement including the maintenance of required reserves at June 30, 2011.

Certain bonds maturing June 1, 2018, and thereafter totaling \$11,240,000 are subject to optional redemption in whole on any date or in part on any interest payment date at a redemption price equal to 100% of the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date.

The bonds maturing June 1, 2027, totaling \$15,710,000 are subject to mandatory redemption and payment prior to maturity starting on June 1, 2022, and continuing through June 1, 2027 (the final maturity date) at a redemption price equal to the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date.

## F: LONG-TERM DEBT (Continued)

The bonds maturing June 1, 2032, totaling \$14,220,000 are subject to mandatory redemption and payment prior to maturity starting on June 1, 2029, and continuing through June 1, 2032, (the final maturity date) at a redemption price equal to the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date

The bonds maturing June 1, 2041, totaling \$45,540,000 are subject to mandatory redemption and payment prior to maturity starting on June 1, 2033, and continuing through June 1, 2041, (the final maturity date) at a redemption price equal to the par amount of bonds to be redeemed plus accrued interest thereon to the redemption date

The following is a summary of long-term debt at June 30, 2011, and interest requirements to maturity

	<u>Principal Payable 06/30/11</u>	<u>Interest to Maturity</u>	<u>Total</u>
Series 2007 Louisiana Public Facilities Authority Revenue Bonds	\$ 96,200,000	\$ 100,293,405	\$ 196,493,405

The annual requirements to amortize outstanding debt principal and interest as of June 30, 2011 are as follows:

<u>Year ending June 30,</u>	
2012	\$ 6,548,362
2013	6,548,612
2014	6,550,362
2015	6,548,362
2016	6,547,612
2017 - 2021	32,748,200
2022 - 2026	32,747,770
2027 - 2031	32,749,075
2032 - 2036	32,755,000
2037 - 2041	32,750,050
	<u>\$ 196,493,405</u>

The bond indenture requires the following funds be used to account for the receipt and disbursement of monies collected and expended

*Bond proceeds fund* – The bond proceeds fund is used to receive the immediate transfer of the proceeds of the bonds other than the premium to be paid to the bond insurer for the bond insurance policy and the reserve policy. On the closing date, the trustee will disburse amounts held in the bond proceeds fund as set for the indenture.

## **F: LONG-TERM DEBT (Continued)**

*Debt service fund* – The trustee will make deposits into the applicable account of the debt service fund at the times and in the amounts required by the indenture

- a Moneys on deposit in the interest account of the debt service fund will be used solely to pay the interest on the bonds as it becomes due and payable, whether on an interest payment date, at maturity or upon acceleration, moneys on deposit in the capitalized interest account of the debt service fund will be used solely to pay the interest on the bonds through July 1, 2008.
- b. Moneys on deposit in the principal account of the debt service fund will be used solely to pay the principal of the bonds as it becomes due and payable whether at maturity or upon acceleration in respect of principal of the bonds; and if, directed by the Commission, to effect the redemption of the bonds prior to their maturity in accordance with the redemption provisions of the indenture or with bond insurer consent the purchase of bonds prior to their maturity in the open market at a price not in excess of the principal amount thereof, premium, if any plus accrued interest on the bonds.
- c Whenever and to the extent that money on deposit in the interest account or the principal account is insufficient to pay interest and principal, whether at maturity, by acceleration or in satisfaction of the mandatory sinking fund redemption requirements, the trustee shall transfer money from the debt service reserve fund and from the project fund if necessary and will notify the bond insurer immediately.

*Project fund* – The project fund will receive the immediate transfer of the balance of the proceeds of the bonds as provided in the indenture Moneys in the project fund shall be applied to the payment of the costs of the new courthouse pursuant to the procedure established in the indenture, and are subject to a lien and charge in favor of the bondholders for the further security of such bondholders until paid out or transferred as provided in the indenture

*Debt service reserve fund* – Moneys on deposit in the debt service reserve fund will be maintained in an amount equal to the debt service reserve fund requirement, at least one half of which will be in cash or cash equivalent, and will be transferred to the interest account or the principal account of the debt service fund in such amount as is necessary to remedy any deficiency with respect to the bonds Earnings on the cash or cash equivalent in the debt service reserve fund will be transferred to the fiscal agent in accordance with the provision of the indenture for deposit in the insurance account of the courthouse construction receipts fund Whenever the amount in the debt service reserve fund, together with the amount in the debt service fund, is sufficient to pay in full all outstanding bonds in accordance with their terms, the funds on deposit in the debt service reserve fund shall be transferred to the debt service fund and will be available to pay all outstanding bonds in accordance with their terms If the balance of the debt service reserve fund is greater than the debt service reserve fund requirement, all amounts in excess of the debt service reserve fund requirement will be transferred to the project fund until such time as the construction of the courthouse is completed, and then by the trustee to the debt service fund and will be available to pay all outstanding bonds in accordance with their terms

## **F: LONG-TERM DEBT (Continued)**

*Revenue fund* – Pursuant to the fiscal agency agreement, the fiscal agent of the Commission will maintain the courthouse construction receipt fund, to receive revenues for payment of rental. The Clerk of Court will receive the revenues daily and segregate such amounts in a special fund for such purpose. At least as often as every two weeks, the Clerk will transfer the revenues to the fiscal agent for immediate deposit into the courthouse construction receipts fund. Upon receipt of the revenues, the fiscal agent shall transfer such monies in the courthouse construction receipts fund to the trustee for immediate deposit into the revenue fund. As directed by the indenture, all revenues in the revenue fund in excess of that required to fund fully the payment of rental, replenish the debt service reserve fund, pay when due administrative expense and other amounts due under the agreement will be transferred to the fiscal agent for deposit into the insurance account. Amounts in excess of those budgeted to pay amounts due to the City-Parish pursuant to the property insurance agreement may be used by the Commission for any lawful purpose except for the operation and maintenance of the courthouse, which is the obligation of the City-Parish.

*Rebate fund* – Moneys deposited and held in the rebate fund shall be used to make all rebate payments owed to the United States under the Internal Revenue Code of 1986 (the “Code”), and will not be subject to the pledge of the indenture. The Commission will make the calculations required by the Code and the tax regulatory agreement will direct the trustee to make deposits to and make disbursements from the rebate fund which the Commission determines are in accordance therewith.

Concurrently with the issuance of the bonds, a bond insurance policy will be issued that unconditionally guarantees the payment of that portion of the principal or accreted value, if applicable, and interest on the bonds which have become due for payment but which is unpaid by reason of nonpayment by the issuer of the bonds. The bond insurance policy covers failure to pay principal or accreted value, if applicable, of the bonds on their stated maturity dates and their mandatory sinking fund redemption dates, but not on any other date on which the bonds may have been otherwise called for redemption, accelerated or advanced in maturity.

## **G: INTERFUND TRANSACTIONS**

The transfers in or out during the period ended June 30, 2011, are as follows:

	<u>Transfers to Debt service fund</u>
<u>Transfers from:</u>	
Capital project fund	\$ 7,120,361

Transfers are substantially for the purposes outlined in the revenue bond indenture.



#### **H: CAPITAL PROJECT FUND PROJECT-TO-DATE**

Revenues, expenditures and other financing sources and uses from the beginning of the project through June 30, 2011, are as follows

REVENUES	
Charges for services	
Civil court filing fees	\$ 18,682,632
Recording fees	14,031,270
Inter-governmental transfers	5,363,300
Investment earnings	9,510,381
Total revenues	<u>47,587,583</u>
EXPENDITURES	
Capital outlay	114,108,318
Debt issuance costs	329,850
Total expenditures	<u>114,438,168</u>
OTHER FINANCING SOURCES (USES)	
Series 2007 LPFA Revenue Bonds issued	100,000,000
Premium on issuance of bonds	2,808,233
Transfers out	<u>(35,130,480)</u>
	<u>67,677,753</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	
	<u>\$ 827,168</u>

#### **I: CONCENTRATIONS OF CREDIT RISK**

Intergovernmental receivables represent amounts due from other East Baton Rouge Parish governmental agencies. Such receivables are not collateralized. Payment of these amounts is partly dependent upon the economic and financial conditions within East Baton Rouge Parish.

#### **J: SUBSEQUENT EVENTS**

A lawsuit was filed on October 3, 2008, by the Building Commission against Level 3 Communications whose underground fiber optic cables delayed the contractor's sheet piling driving until the cables could be re-routed, which resulted in \$243,759 in increased expenses directly related to the temporary shutdown of the construction project and the costs of resuming work. A settlement was reached with Level 3 Communications along with Walton Construction and Post Architects on June 6, 2011, for \$105,000. Level 3 Communications agreed to compensate the Commission \$90,000, Walton Construction \$10,000 and Post Architects \$5,000 respectively. These amounts were received and deposited in November, 2011.

Subsequent events were evaluated through December 28, 2011, which is the date the financial statements were available to be issued.

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**LLP**  
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Section of the American  
Institute of CPAs

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Commissioners of the  
Nineteenth Judicial District Court Building Commission

We have audited the financial statements of the Nineteenth Judicial District Court Building Commission, a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nineteenth Judicial District Court Building Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nineteenth Judicial District Court Building Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Nineteenth Judicial District Court Building Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. A significant deficiency is a deficiency, or combination of control deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

*Continued*

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nineteenth Judicial District Court Building Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and governing body of the Nineteenth Judicial District Court Building Commission, the City of Baton Rouge and Parish of East Baton Rouge, Louisiana, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana R S 24:513, this report is distributed by the Legislative Auditor as a public document.



December 28, 2011

**NINETEENTH JUDICIAL DISTRICT COURT  
BUILDING COMMISSION  
SCHEDULE OF FINDINGS AND RESPONSES**  
*Year Ended June 30, 2011*

**A: SUMMARY OF AUDIT RESULTS**

- 1 The auditor expresses an unqualified opinion on the financial statements of Nineteenth Judicial District Court Building Commission
2. No significant deficiencies disclosed during the audit of the financial statements of the Nineteenth Judicial District Court Building Commission are reported in the "Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* "
3. No instances of noncompliance material to the financial statements of the Nineteenth Judicial District Court Building Commission was disclosed during the audit
- 4 Not applicable
- 5 Not applicable
- 6 Not applicable
- 7 Not applicable.
- 8 Not applicable
- 9 Not applicable.
10. A management letter was not issued in conjunction with this engagement

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**None.**

**NINETEENTH JUDICIAL DISTRICT COURT –  
BUILDING COMMISSION  
SCHEDULE OF CORRECTIVE ACTION TAKEN  
ON PRIOR YEAR FINDINGS**  
*Year Ended June 30, 2011*

**None required.**